

HOUSING NOW

Canada



Canada Mortgage and Housing Corporation

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Canadian Market Overview.

New Home Market

Housing starts decline in January

The seasonally adjusted annual rate¹ of housing starts was 153,500 units in January, down from 172,200 units in December.

Pent-up housing demand which built up over the 1990s enabled Canadian housing starts to exceed long run demographic demand for the majority of this decade. This excess demand has gradually decreased and CMHC

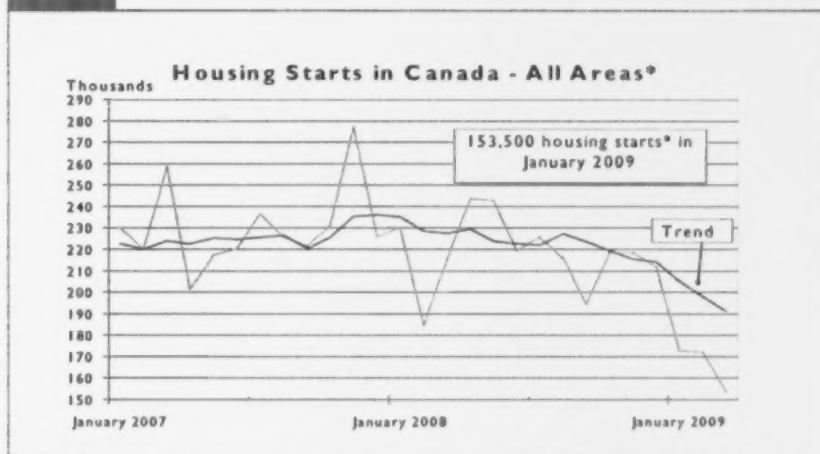
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Figure 1



Source: CMHC

* Seasonally adjusted at annual rates

Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

¹ All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

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expects construction levels in 2009 to be more aligned with long run demographic demand.

Urban starts trend lower in January

The seasonally adjusted annual rate of urban starts moderated 15.6 per cent to 126,700 units in January. Urban multiple starts eased by 12.2 per cent to 76,700 units, while urban single starts decreased 20.3 per cent to 50,000 units in January.

Urban starts moderate in all regions

January's seasonally adjusted annual rate of urban starts moderated in all regions in Canada. Urban starts declined by 30.3 per cent to 17,500 units in the Prairies, by 29.1 per cent to 14,100 units in British Columbia, by 14.6 per cent to 51,500 units in Ontario, by 8.6 per cent to 7,400 units in Atlantic Canada, and by 1.4 per cent to 36,200 units in Quebec.

Rural starts were estimated at a seasonally adjusted annual rate of 26,800 units in January.

Actual January starts lower in 2009 than in 2008

Actual starts in rural and urban areas combined decreased by an estimated 35.8 per cent in

January this year compared to relatively high levels in January last year. Actual starts in urban areas have decreased by an estimated 40.4 per cent compared to the same month in 2008. Actual urban single starts for 2009 are 44.2 per cent lower than they were a year earlier while urban multiple starts are down 38.1 per cent.

Growth in new house prices moderates in December

The New Housing Price Index (NHPI) rose by 0.4 per cent in December 2008 compared to the previous year.

In comparing December 2008 to December 2007, double digit increases in the NHPI were limited to Regina (21.7 per cent) and St John's (24.4 per cent). Declines were observed in Edmonton (-8.2 per cent), Calgary (-4.3 per cent), and Victoria (-2.9 per cent).

Existing Home Market

MLS^{®1} sales decreased in January

Seasonally adjusted MLS^{®1} (Multiple Listing Service[®]) sales decreased by 3.0 per cent to 26,376 units in January 2009, compared to 27,206 units in December 2008.

In 2008, actual MLS[®] sales were down 17.1 per cent to 434,477 units compared to 2007.

MLS[®] new listings decreased in January

Seasonally adjusted MLS[®] new listings in January 2009 decreased by 3.0 per cent to 69,875 units, compared to 72,034 units in December 2008.

Actual new listings for 2008 were up 7.7 per cent compared to 2007.

Sales-to-new-listings ratio declines in January

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio². New listings are a gauge of the supply of existing homes, while MLS[®] sales are a proxy for demand.

Canada's existing home market has been in sellers' territory throughout most of this decade. Lately, a declining sales-to-new-listings ratio and slowing price growth indicate existing home markets have become more balanced. In Canada, the seasonally adjusted sales-to-new-listings ratio has drifted into buyers' market territory,

¹Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association

²Taking the Canadian MLS[®] market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

reaching 37.7 per cent in January 2009.

The January seasonally adjusted average MLS® price in Canada was down 0.65 per cent to \$281,749 compared to December 2008, while the unadjusted MLS® average price was down 11.2 per cent in January 2009 compared to a year ago.

Economic conditions

Across the country, employment decreased by 129,000 jobs in January 2009, lowering Canada's employment rate to 62.6 per cent from 63.1 per cent in December 2008. The labour force also fell in January, by 29,100 people, which resulted

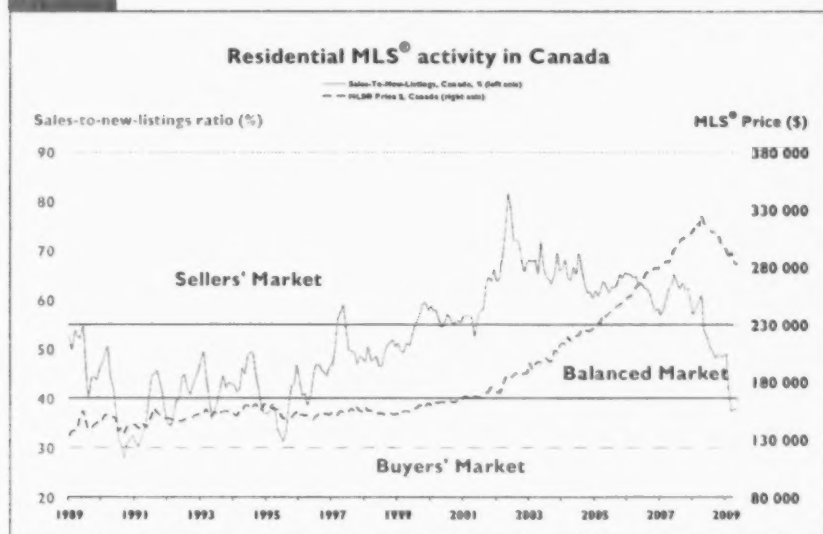
in Canada's unemployment rate rising to 7.2 per cent.

For the 12-month period ending in January 2009, seasonally adjusted employment in Canada fell by 0.5 per cent (88,600 jobs). Nearly all of the decline was in full-time employment, with the manufacturing sector taking the most losses.

The Bank of Canada, like other major central banks, has cut its policy interest rates. The Bank of Canada has lowered the overnight rate to 1.0 per cent as of January 2009. The outlook for the global economy is uncertain and stabilization of the global financial system is a precondition for economic recovery.

The Consumer Price Index (CPI) increased by 1.1 per cent in January 2009 compared to the same month in 2008, down slightly from the 1.2 per cent increase recorded for the 12-month period ending in December 2008. On a seasonally adjusted monthly basis, consumer prices fell 0.1% from December to January.

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
 Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

Canada's Existing Home Market: A Change to Buyers' Market Conditions

The sales-to-new-listings ratio (SLR) in Canada was in sellers' market territory from mid-1999 until the end of 2007. Since then, decreasing sales of existing homes through MLS® have pushed Canada's existing home markets through the balanced range and into buyers' market conditions.

A good indicator of price pressure in the existing home market is the sales-to-new-listings ratio (SLR). New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand. The SLR is calculated by dividing the number of MLS® sales by the number of MLS® new listings, then multiplying by 100.

A sales-to-new-listings ratio (SLR) below 40 per cent has usually been accompanied by existing house price growth that is less than the general rate of inflation. This situation is known as a buyers' market. A SLR ratio above 55 per cent has been associated with a sellers' market, with home prices generally rising at a pace that is greater than inflation. When the SLR is between these thresholds, the market is said to be balanced and home prices tend to increase at about the overall rate of inflation. The relationship between market conditions and average prices can be somewhat distorted by the fact that the average prices can also reflect changes in the mix of houses sold. It is also important to note that, to simplify the analysis, the thresholds used to determine that a market is in sellers', buyers' or balanced territory are the same for all provinces. In reality, thresholds can vary from province to province.

Figure 3

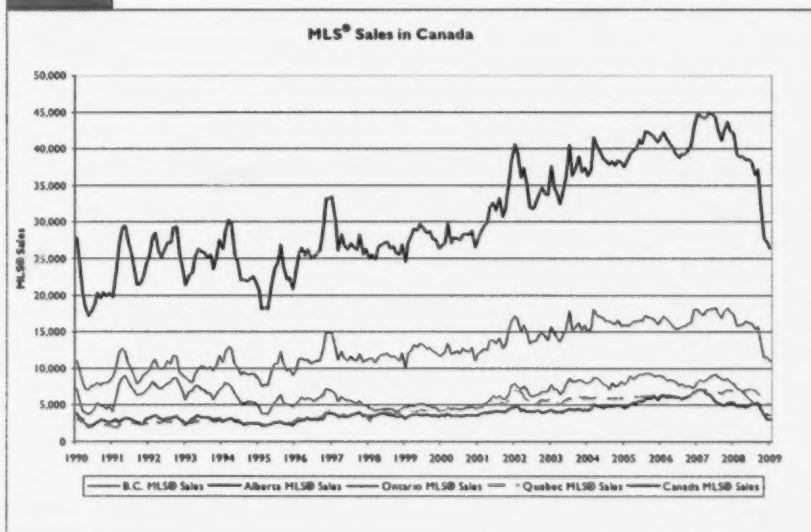
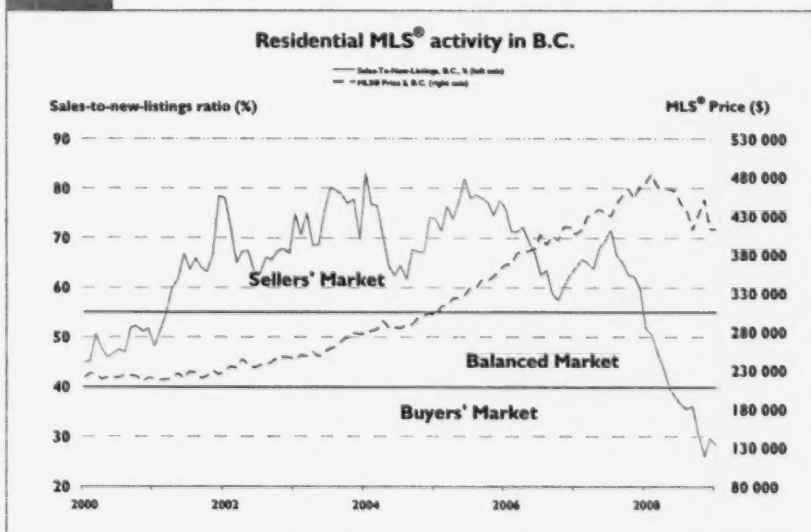


Figure 4



The overall Canadian context

There have been significant changes in the SLR over the past few months. As stated previously, the Canadian resale market has been a sellers' market for quite some time (since about mid-1999). However, the SLR has trended lower (Figure 2 previous article) and is now at levels consistent with buyers' market conditions. This has occurred in part because of an increase in MLS® listings over the past few months, but mainly due to a decrease in MLS® sales (Figure 3, with top 4 contributors). The current economic and financial environment is leading consumers to temper their demand for larger so-called "big-ticket" items such as housing.

The Western Canada view

As can be seen on Figures 4 to 7, Canada's western provinces were the first to experience a decrease in demand for existing homes. As existing homes sales decreased, the SLR quickly moved from a sellers' to a buyers' market. The decrease in demand reflects in part the uncertain economic environment, and is being compounded by the rapid escalation in house prices in B.C., Alberta, and Saskatchewan in recent years. Manitoba's housing market has not followed the trend and remains in a sellers' market.

In B.C., where the market turned quickly from a sellers' market to a buyers' market, prices decreased 14.8 per cent from their February 2008 peak, reaching now \$412,916. In Alberta, prices de-

Figure 5

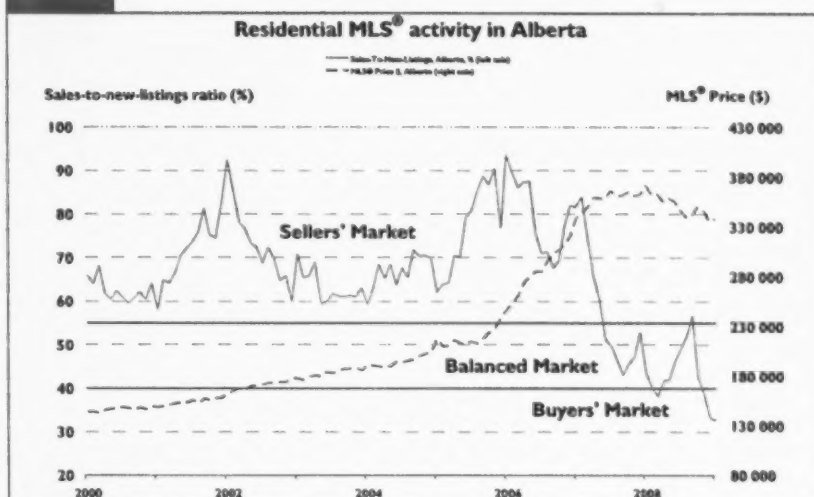


Figure 6

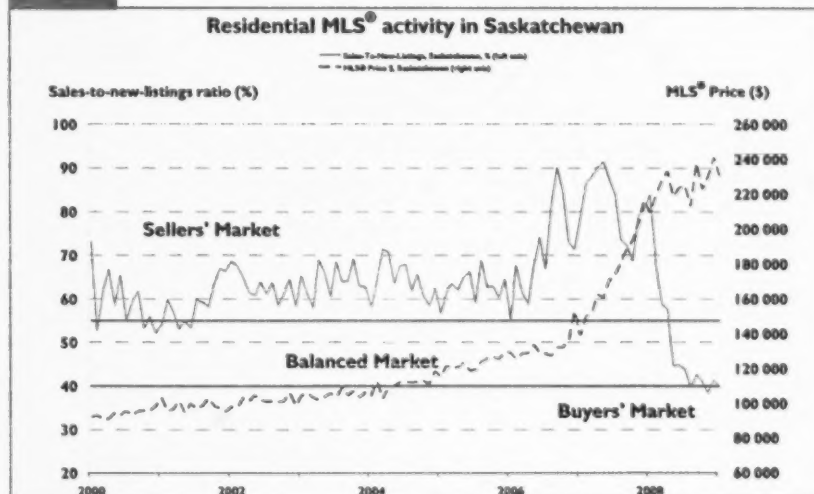
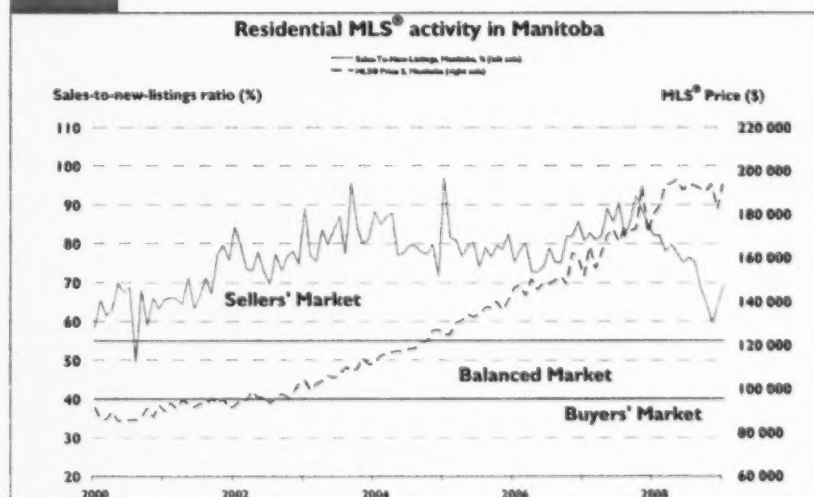


Figure 7



creased 9.1 per cent from their January 2008 summit and are currently standing at \$337,927. In Saskatchewan (\$230,457) and Manitoba (\$193,790), prices are still near their highest level.

The Ontario and Quebec view

With respect to Ontario and Quebec (Figure 8 and 9) high levels of new listings and a sudden decrease in existing home sales in the fourth quarter of 2008 caused the SLR to move toward the bottom of the balanced range.

Prices decreased 12.0 per cent from their peak in Ontario. On average, MLS® sales in this province are now closing at \$285,943. In Quebec, prices are relatively stable and the average price on the resale market is \$210,702.

The Atlantic Canada view

In Atlantic Canada, meanwhile (Figures 10 to 13), there is some indication that demand for existing homes is beginning to ease. However, MLS® sales in the region have not decreased as much as in central and western Canada. The SLR in New Brunswick and Nova Scotia remains in balanced market territory, while in PEI and Newfoundland, a higher SLR indicates balanced to sellers' market conditions.

Price growth varies across Atlantic Canada. In New Brunswick, prices are now trending lower at \$135,323. At \$186,569, prices in Nova Scotia are still at a high historical level. Finally, in Prince Edward Island and Newfoundland,

Figure 8



Figure 9

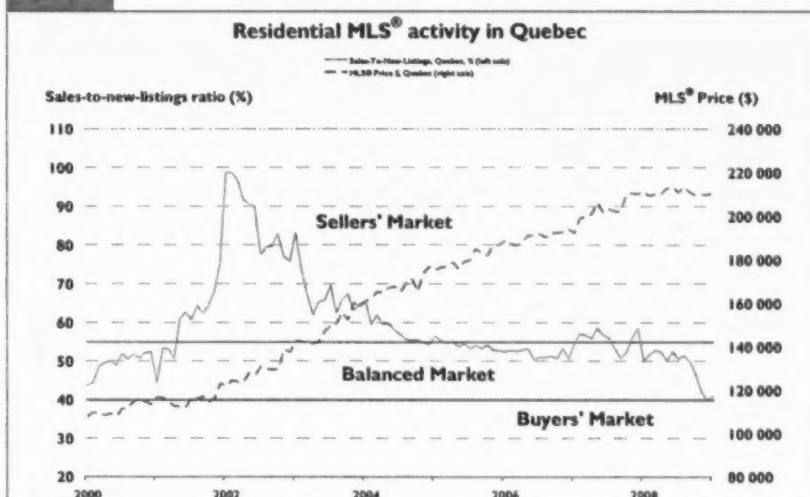
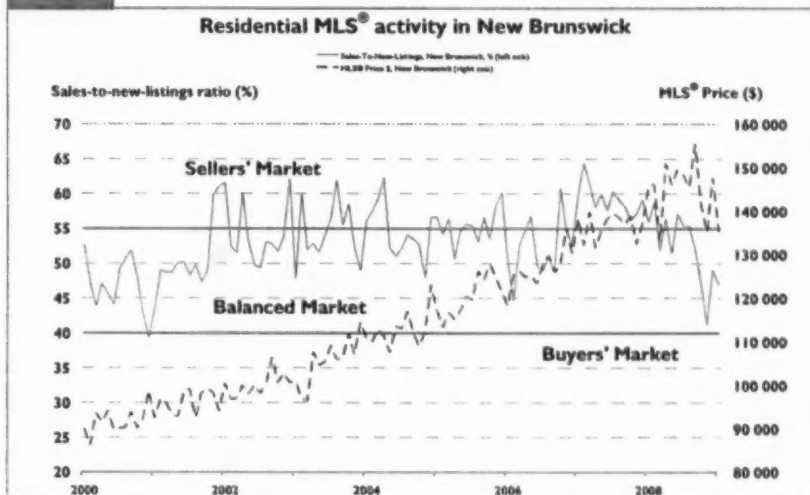


Figure 10



prices are now at or near their highest level. Those provinces are posting average prices on the resale market of \$167,607 and \$201,879, respectively.

Conclusion

The decrease in housing demand, which started in western provinces, is now being felt in Ontario, Quebec and the Atlantic provinces. As a result, existing home markets have moved into balanced conditions and recently have progressed into buyers' market conditions, which causes now much less upward pressure on prices for existing homes. Indeed, the average MLS® price has decreased in 11 of the past 13 months. These conditions support CMHC's forecast that average house prices in Canada will decrease by 5.2% in 2009.

Figure 11

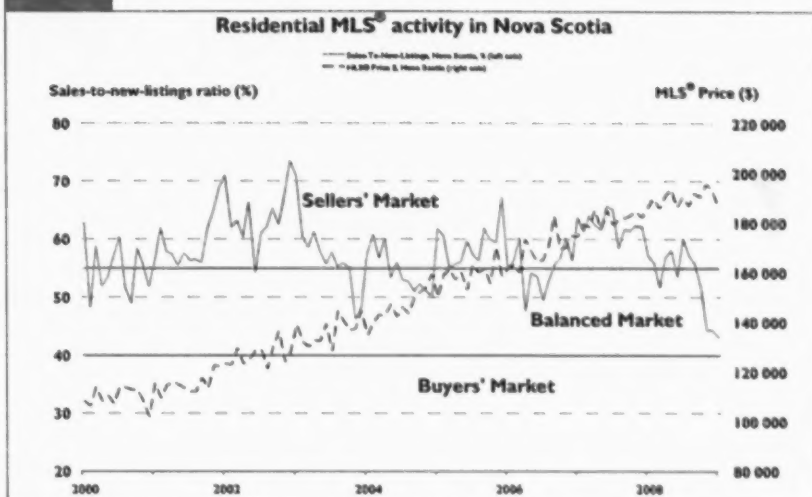


Figure 12

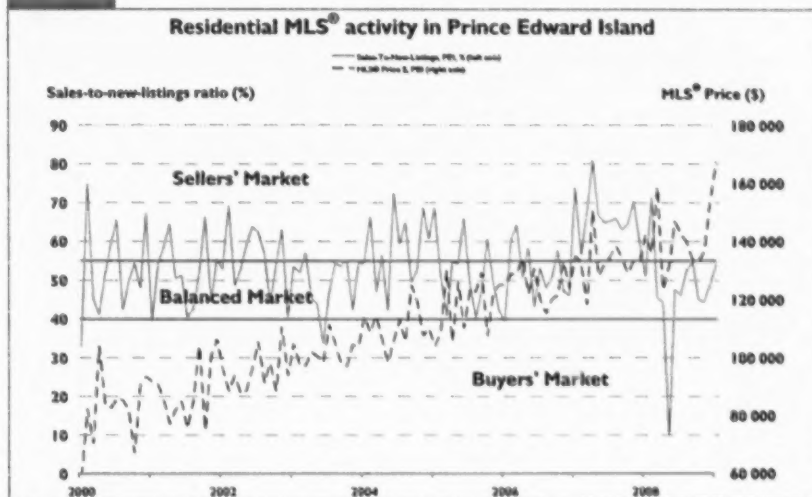
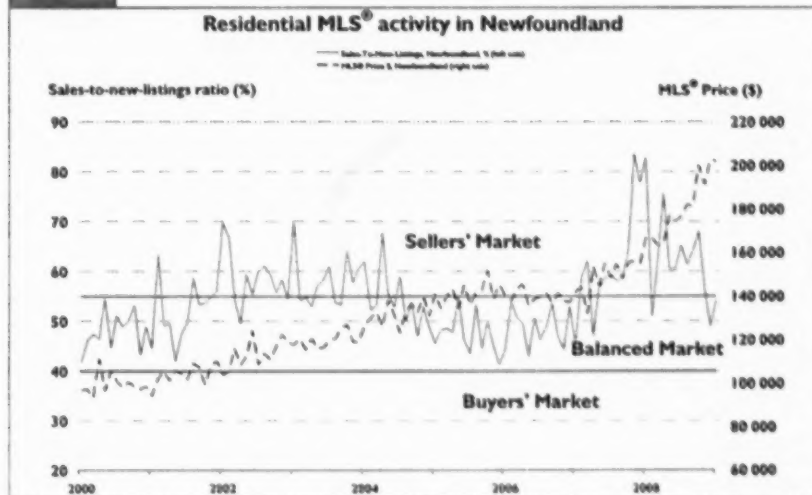


Figure 13



This Month's Housing Data (SAAR)

	2007	Q2: 08	Q3: 08	Q4: 08	M11: 08	M12: 08	M01: 09
Housing starts, units, 000s							
Canada. Total. All areas	228.3	217.6	207.7	184.9	172.9	172.2	153.5
Per cent change from previous period	0.4	-7.4	-4.5	-11.0	-17.4	-0.4	-10.9
Canada. Total. Rural areas	34.6	24.8	26.3	22.1	22.1	22.1	26.8
Per cent change from previous period	6.9	25.9	6.0	-16.0	0.0	0.0	21.3
Canada. Total. Urban areas	193.7	192.8	181.4	162.8	150.8	150.1	126.7
Per cent change from previous period	-0.7	-10.5	-5.9	-10.3	-19.5	-0.5	-15.6
Canada. Single. Urban areas	90.9	76.9	72.8	66.9	66.1	62.7	50.0
Per cent change from previous period	-3.5	-7.7	-5.3	-8.1	-8.2	-5.1	-20.3
Canada. Multiple. Urban areas	102.9	115.9	108.6	95.9	84.7	87.4	76.7
Per cent change from previous period	2.0	-12.3	-6.3	-11.7	-26.5	3.2	-12.2
Newfoundland. Total. All areas	2.6	3.0	3.4	3.6	3.3	4.0	3.6
Per cent change from previous period	18.6	7.1	13.3	5.9	-8.3	21.2	-10.0
Prince Edward Island. Total. All areas	0.8	0.7	0.6	0.7	0.8	0.9	0.6
Per cent change from previous period	1.6	0.0	-14.3	16.7	33.3	12.5	-33.3
Nova Scotia. Total. All areas	4.8	3.7	4.1	3.4	3.2	3.0	2.8
Per cent change from previous period	-3.0	-36.2	10.8	-17.1	-20.0	-6.3	-6.7
New Brunswick. Total. All areas	4.2	4.5	4.1	4.0	3.9	3.0	3.8
Per cent change from previous period	3.8	9.8	-8.9	-2.4	-20.4	-23.1	26.7
Quebec. Total. All areas	48.6	47.7	47.6	47.7	49.3	44.0	45.3
Per cent change from previous period	1.4	-2.3	-0.2	0.2	-0.6	-10.8	3.0
Ontario. Total. All areas	68.1	78.8	74.8	67.8	58.3	63.1	54.7
Per cent change from previous period	-7.2	-2.6	-5.1	-9.4	-28.7	8.2	-13.3
Manitoba. Total. All areas	5.7	5.8	5.4	5.8	5.7	6.4	3.6
Per cent change from previous period	14.1	9.4	-6.9	7.4	5.6	12.3	-43.8
Saskatchewan. Total. All areas	6.0	7.9	7.2	5.3	6.6	4.7	3.8
Per cent change from previous period	61.7	19.7	-8.9	-26.4	43.5	-28.8	-19.1
Alberta. Total. All areas	48.3	28.4	25.2	21.9	20.5	20.0	17.2
Per cent change from previous period	-1.3	-29.4	-11.3	-13.1	-18.7	-2.4	-14.0
British Columbia. Total. All areas	39.2	37.1	35.3	24.7	21.3	23.1	18.1
Per cent change from previous period	7.6	-7.0	-4.9	-30.0	-28.3	8.5	-21.6

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2007	Q2: 08	Q3: 08	Q4: 08	M11: 08	M12: 08	M01: 09
Canada. Total. Urban areas	193.7	192.8	181.4	162.8	150.8	150.1	126.7
Newfoundland. Total. Urban areas	1.8	1.9	2.4	2.5	2.2	2.9	2.8
Prince Edward Island. Total. Urban areas	0.5	0.5	0.4	0.6	0.7	0.8	0.3
Nova Scotia. Total. Urban areas	3.3	3.2	3.3	2.9	2.7	2.5	1.7
New Brunswick. Total. Urban areas	3.0	3.3	3.0	2.9	2.8	1.9	2.6
Quebec. Total. Urban areas	40.9	41.7	40.4	40.4	42.0	36.7	36.2
Ontario. Total. Urban areas	62.8	75.2	71.3	65.0	55.5	60.3	51.5
Manitoba. Total. Urban areas	3.8	4.1	3.7	4.4	4.3	5.0	2.1
Saskatchewan. Total. Urban areas	4.8	5.5	4.6	3.5	4.8	2.9	1.5
Alberta. Total. Urban areas	38.5	24.0	21.2	19.1	17.7	17.2	13.9
British Columbia. Total. Urban areas	34.4	33.4	31.1	21.5	18.1	19.9	14.1

* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2007	Q2: 08	Q3: 08	Q4: 08	M11: 08	M12: 08	M01: 09
New Housing							
New & unoccupied singles & semis, units 000s	6.0	7.3	7.6	8.5	8.7	8.6	8.6
Per cent change from same period previous year	16.1	19.9	38.4	37.9	40.3	35.8	30.8
New & unoccupied row & apartments, units 000s	8.6	8.9	9.1	10.6	10.4	11.2	11.1
Per cent change from same period previous year	3.0	12.3	4.6	15.4	17.3	19.9	18.8
New House Price Index, 1997=100	153.0	158.4	158.6	157.7	157.6	157.4	n.a.
Per cent change from same period previous year	7.7	4.3	2.3	0.9	0.7	0.4	n.a.
Existing Housing							
MLS® resales*, units 000s	523.9	461.9	446.7	347.5	334.4	326.3	316.3
Per cent change from same period previous year	7.8	-13.5	-12.7	-32.5	-36.1	-35.9	-37.3
MLS® average resale price**, \$C 000s	305.8	310.9	298.8	287.8	292.8	283.6	281.7
Per cent change from same period previous year	10.8	2.1	-3.4	-9.8	-7.1	-12.4	-11.5
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	6.90	6.68	6.75	6.10	6.35	5.60	5.00
Posted 5-Year Mortgage Rate, % (period average)	7.07	6.93	6.95	7.05	7.20	6.75	5.79

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available

* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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